

Responsiveness Summary

Safe Drinking Water Loan Program (SDWLP) Intended Use Plan

September 12, 2014

The DNR is changing its policy regarding roll down of Principal Forgiveness (PF) for SFY 2015 SDWLP projects based on received comments from three individuals on the Federal Fiscal Year 2014 Intended Use Plan (IUP). The draft IUP stated:

“Principal forgiveness amounts may shift within the fundable range on the final funding list. If any principal forgiveness still remains after all projects in the fundable range have closed on loans, this principal forgiveness will be moved forward to the next year’s funding list. This is a change from previous years that is being instituted to remove uncertainty from the principal forgiveness allocations.”

The following policy will be included in the final IUP sent to EPA related to SFY 2015 SDWLP projects:

- For SFY 2015 SDWLP applications, unused PF will be allowed to “roll down” to the next highest scoring project(s) until **12/31/2014**.
- At that time, the lowest-scoring project to which the SDWLP will allocate any FFY 2014 PF funds will be clearly identified on the SFY 2014 Funding List.
- Remaining projects with lower scores on the SFY 2015 Funding List will not be eligible for roll-down PF funds after 12/31/2014. The lowest scoring project to which roll-down PF will be allocated will be awarded the maximum PF available at the time of their loan closing (not to exceed the maximum eligible amount for that project).
- Any remaining unallocated PF funds as of 1/1/2015 will be added to the PF funds available for SFY 16 SDWLP applications.
- All SFY 2015 SDWLP projects are required by Wisconsin Statute to close their loans by 6/30/2015.

Reference:

All three commenters noted that the change in policy was published after the deadline for SFY 2015 SDWLP application submittal and was unfair to municipalities that submitted applications with the anticipation of potential roll-down PF funds. Considering the date on which the Department published the Draft IUP and first made applicants aware of this proposed change, DNR concurs with the comments regarding the timing of this policy implementation and has modified the IUP as noted above.

Background:

“Unused” PF often becomes available throughout the year due to two factors:

- Actual PF awards are based on the final budget as determined *at the time of loan closing*. The final PF award, therefore, can be higher or lower than originally estimated on the Funding List, which is calculated at the time of the application submittal based on estimated costs.
- Some municipalities on the Funding List for which PF has been allocated decide to not move forward with their project, resulting in that PF becoming available for use.

Keeping the policy of rolling down unused PF throughout the year causes significant implementation issues to DNR and unfairness to municipalities. There have been situations where municipalities below the initial PF range closed loans early in the fiscal year only to learn later that there would have been PF available for them if they had delayed their loan closing. One of the main criteria for awarding PF is the environmental need of the project, which is reflected in the project score. PF is awarded based on descending order or project score, so when a lower scoring project receives roll-down PF over a higher scoring project that closed their loan prior to roll-down PF becoming available, the result is inconsistent administration of our PF award policy. The current policy was inadvertently rewarding lower scoring projects that delayed closings in anticipation of roll-down PF. In addition, delays in loan closings in anticipation of roll-down PF make loan program workload, activities, and financial planning administratively difficult to manage. Lastly, late PF awards often result in additional time being requested for municipalities to submit the required documentation, causing additional delays in loan closings.

By delaying implementation of the proposed policy until SFY 2016, those applying for SFY 2016 SDWLP funding will be fully aware of this policy change and the timing concerns noted in the comments received on this policy will be alleviated.

From: Thea Carroll [<mailto:tc Carroll@msa-ps.com>]
Sent: Monday, August 25, 2014 8:56 AM
To: Scott, Rebecca L - DNR
Cc: Britta Moline; Mary Wagner; Dan Greve
Subject: Comments for FY2015 SDWLP IUP
Importance: High

Comment on the section of SDWLP IUP referenced below (pg 6 of 11)

"Principal forgiveness amounts may shift within the fundable range on the final funding list. If any principal forgiveness still remains after all projects in the fundable range have closed on loans, this principal forgiveness will be moved forward to the next year's funding list. This is a change from previous years that is being instituted to remove uncertainty from the principal forgiveness allocations."

Comments:

It is unfair to have the June 30th 'hard deadline' to be eligible for PF and then take away any chance of roll down. Communities have gone through a lot of expense and the effort of submitting plans, specs, and a complete application by the deadline with the hope of possibly receiving PF in addition to loan funds. Communities become hopeful once they realize that they are only a couple of spots below the draft 'PF' recipients. To find out this year, after all efforts have been made with a small hope of PF roll-down, that the rules are being changed mid-stream AFTER the applications were submitted seems not just unfair, but not transparent or even good faith. DNR should reward as many communities as they can for going through the submittal effort and expense, and make as many projects happen as possible in the current year rather than providing incentive for projects to be postponed to the following year. It is particularly frustrating when a community went to the expense and pressure to meet the deadline in order to be eligible for PF, and now DNR has established a secondary deadline for 'just loans' of March 31st if anyone wants to throw in another application. How is it right that the ones that made the deadline are in the same boat as the ones that didn't? Taking away the possibility of PF roll down takes away some incentive to use the SDWLP program to finance projects.

These projects have gone through a lot as communities try to make it affordable and make sure that they are serving the needs of that area and the community in the best possible way. Please allow PF roll-down to continue to those communities who make the significant extra effort to meet the deadline for PF.



Thea Carroll | Funding Specialist

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Becky Scott
WDNR – CF/2
PO box 7921
Madison, WI 53707-7921

August 25, 2014

RE: Comment on the section of SDWLP IUP referenced below (pg 6 of 11).

“Principal forgiveness amounts may shift within the fundable range on the final funding list. If any principal forgiveness still remains after all projects in the fundable range have closed on loans, this principal forgiveness will be moved forward to the next year’s funding list. This is a change from previous years that is being instituted to remove uncertainty from the principal forgiveness allocations.”

Dear Ms. Scott:

It seems less than fair to have in place the June 30th 'hard deadline' to be eligible for Principal Forgiveness (PF), and then remove any chance of roll down. The Village of Biron has invested significant expense and effort in submitting plans, specs, and a complete application by the original deadline, with hope of possibly receiving PF in addition to loan funds.

We were encouraged when we realized that we were only a couple of positions below the draft 'PF' recipients. Finding that after our continuing efforts, that the rules are being changed mid-stream AFTER the applications were submitted, seems not just unfair, but highly unusual. DNR should reward as many communities as possible for their projects and for their submittal effort and expense. Furthermore, DNR should participate with as many projects as possible in the current year, rather than providing incentive for projects to be postponed to the following year.

It is particularly frustrating when a community went to the expense and efforts to meet the deadline to be eligible for PF, and then for a secondary deadline of March 31st to be established, for 'just loans' for a municipality that wants to submit another application. It doesn't seem right that projects meeting the original deadline are being considered in the same light as those submitted later. And finally, taking away the possibility of PF roll down reduces the incentive to use the SDWLP program to finance projects.

Biron's has made great efforts to keep its project affordable, ensuring that the area's needs will be served in the best way possible, for many years into the future. We have worked very hard to ensure that each dollar spent, has an enhanced impact for the sake of our residents. Because of all of these efforts, Biron respectfully requests the allowance of PF roll-down, to continue financial support to those communities who make the significant efforts to meet the original deadline for PF.

Sincerely,

Jon T. Evenson

Jon T. Evenson, President
Village of Biron, Wood County WI

From: Dan Greve [<mailto:dgreve@msa-ps.com>]

Sent: Thursday, August 21, 2014 5:48 PM

To: Scott, Rebecca L - DNR

Subject: Policy Change for SDWLP on Reallocating Unused Principal Forgiveness

Dear Ms. Scott –

This email is in regard to the Federal Fiscal Year (FFY) 2014 Safe Drinking Water Loan Program Intended Use Plan (IUP). Specifically, I am offering this comment regarding the proposed policy change on reallocating unused principal forgiveness. The IUP indicates that, starting with State Fiscal Year 2015, unused Principal Forgiveness (PF) in the SDWLP will roll over to the following SFY's funding list rather than being rolled down to projects that score below the last PF allocation on the current year's funding list.

This proposed new policy seems to unfairly penalize a community that happens to be right on the cusp of receiving PF, by not allowing unused PF to roll down to them. These communities have gone through the effort and expense of submitting plans, specifications, and a complete loan application by the required deadline. When they don't receive PF, the community will be inclined to postpone the project for a year in order to reapply in the hope of receiving PF the following year (at the added cost of submitting another application). But their priority score won't get any better the following year, and it's a gamble as to which new projects they will be competing with the following year. I believe the Department should reward as many communities as they can for having gone through the submittal effort and expense, and make as many projects happen as possible in the current year rather than providing incentive for projects to be postponed to the following year.

Thank you for the opportunity to provide this comment.

Best regards,

--Dan Greve

Daniel F. Greve, P.E.

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